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UNCLAS SECTION 01 OF 15 TOKYO 002799

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E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)

SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 12/08/09

INDEX:

- (1) U.S. notifies Japan of postponement of talks to deepen alliance relationship agreed at the Hatoyama-Obama summit (Yomiuri)
- (2) Futenma airfield relocation: "Relocation to area other than Henoko" difficult; U.S. showing no signs of reconsidering (Tokyo Shimbun)
- (3) Hirano: Japan to inform U.S. of Futenma relocation policy of giving priority to reducing Okinawa's burden (Asahi)
- (4) GOJ mulls land-based Futenma replacement facility in Camp Schwab, dispersion of exercises to Kansai Airport, Kadena Air Base (Okinawa Times)
- (5) Mayor opposes military use of Kansai Airport in connection with Futenma relocation (Asahi)
- (6) Parliamentary Secretary of Defense Nagashima voices disagreement with opponents of Futenma relocation within Okinawa at symposium (Sankei)
- (7) MD Kitazawa says USFJ realignment spending to be earmarked in FY10 budget under "Prime Minister's account" (Jiji com) 6
- (8) Column: The price of "procrastination" on Futenma relocation (Yomiuri)
- (9) Dark clouds hanging over Japan-U.S. alliance (Part 1): U.S. Ambassador criticizes Hatoyama administration's insincerity (Yomiuri)

(10) Poll on Hatoyama cabinet, political parties (Yomiuri)

(11) JAL is a mirror reflecting Japan (Nikkei)

(12) TOP HEADLINES

(13) EDITORIALS

(14) Prime Minister's schedule, December 7 (Nikkei)

ARTICLES:

(1) U.S. notifies Japan of postponement of talks to deepen alliance relationship agreed at the Hatoyama-Obama summit

YOMIURI ONLINE (Top play) (Slightly abridged)
Evening, December 8, 2009

It was learned from a government source on Dec. 8 that the U.S. government has notified Japan that the new talks aimed at deepening the Japan-U.S. alliance on the occasion of the approaching 50th anniversary of the revision of the bilateral security treaty will be "postponed."

The reason is that the Hatoyama administration intends to review the Japan-U.S. agreement on the relocation of the U.S. forces' Futenma Air Station even though the U.S. is strongly demanding the implementation of the agreement. The talks on deepening the alliance are meant to be a symbol of stronger bilateral ties in the future. The confusion over the Futenma issue is beginning to undermine the

TOKYO 00002799 002 OF 015

overall Japan-U.S. relationship.

According to the above source, the Japanese government was notified of the "postponement" after the cabinet level working group meeting on Futenma relocation on Dec. 4. The U.S. side reportedly gave the following reason: "We will not engage in discussions until the Futenma relocation issue is resolved."

The Japanese government informed the U.S. side of its decision to defer a conclusion on Futenma relocation to next year at the meeting on Dec. 4. It is believed that the U.S. side reacted strongly to this.

The government had wanted to launch the talks on the alliance by the ministers of foreign affairs and defense with the U.S. before year end apart from the Futenma working group, but now, postponement will be inevitable.

Prime Minister Yukio Hatoyama suggested the talks at the Japan-U.S. summit meeting on Nov. 13 and President Barack Obama agreed with the idea. The plan was to hold discussions for one year until the President's next visit to Japan next November.

These talks were expected to produce a new joint declaration following the 1996 Joint Declaration on Security. If the Hatoyama administration actually defers the Futenma relocation issue, it is likely that the drafting of the new joint declaration will be difficult.

With the Obama administration adopting a tough stance, coordination to realize a Japan-U.S. summit meeting at the 15th Conference of Parties to the U.N. Framework Convention on Climate Change (COP15) in Copenhagen, which Hatoyama is seeking, is expected to be problematic.

(2) Futenma airfield relocation: "Relocation to area other than Henoko" difficult; U.S. showing no signs of reconsidering

TOKYO SHIMBUN (Page 3) (Almost full)
December 8, 2009

The Defense Ministry is having difficulty addressing Prime Minister Yukio Hatoyama's instructions to find an alternative site for the coastal area in Henoko in Nago City stipulated in the existing plan

for relocating the U.S. Marine Corps' Futenma Air Station (in Ginowan City, Okinawa Prefecture). Defense Minister Toshimi Kitazawa intends to inspect Guam in an effort to determine whether it is possible to relocate the entire facility to the island. However, the U.S. is showing no signs of reconsidering the issue. There is a strong indication that Kitazawa's inspection plan is only a gesture of compromise to appease the Social Democratic Party (SDP), which is calling for relocation outside the prefecture or the nation.

The prime minister held talks with Kitazawa and Foreign Minister Katsuya Okada at the Prime Minister's Official Residence (the Kantei) on Dec. 3. After the meeting, the prime minister approached them and said, "Please think of a new site." He thus asked them to find a new site to replace Henoko.

Since he called for relocating the Futenma facilities outside the prefecture or the nation during the campaign for the August Lower House election, the prime minister wants to avoid relocation in

TOKYO 00002799 003 OF 015

accordance with the existing plan. The SDP, the Democratic Party of Japan's (DPJ) junior coalition party, is increasing its presence. The SDP is resisting relocation within the prefecture, hinting at bolting from the coalition if that occurs. It called for changing the envisaged relocation site, saying, "There is also Iwo-Jima or Guam," as Secretary General Yasumasa Shigeno said.

Relocation along with Marines

A senior Defense Ministry official said that the Iwo-Jima proposal is out of the question because it is a volcanic island so the ground is elevated and unstable. However, Guam will host 8,000 Marines to be relocated from Okinawa according to the U.S. military restructuring road map, on which Japan and the U.S. have agreed. According the Guam plan, the airfield functions will be relocated along with Marines.

However, the Futenma Air Station serves as a front-line base. In the event of a contingency in the Taiwan Strait or on the Korean Peninsula, 300 helicopters will be deployed there. The U.S. military wants to keep its foothold in Okinawa intact, because Guam is located approximately 2,400 kilometers southeast of Okinawa which would be too far from the front line.

Obtaining local residents' approval posing stumbling block

The proposal for using Kansai International Airport made by Osaka Governor Toru Hashimoto also lacks feasibility. The airport's functions are impeccable. It would also serve as a measure to bail out the airport, which is suffering from an operating deficit. However, since the relocation requires the building of livelihood-related infrastructure, such as housing for families of U.S. military servicemen, even if the government is positive about hosting the base, the possibility of local residents accepting U.S. servicemen is slim.

Names of other deficit-ridden local airports, such as Saga Airport, have cropped up as alternative sites. However, no serious consideration has been given to them.

Okada's proposal for integrating the Futenma functions into Kadena Air Base has also been abandoned as a result of a joint probe with the U.S. side. According to the U.S. military, Kadena Air Base would not be able to accommodate the facilities in the event of emergency, because the size of the U.S. military's operations expands in emergency situations. It also noted that it would be difficult to operate fixed-wing aircraft and helicopters at the same airfield as their flying speeds are different.

Only feasible plan

In any case, there are no signs of the U.S. reconsidering the Henoko plan, even if the government comes up with a new proposal. The U.S. has opted for the Henoko plan after many years of talks, since it reached an agreement with Japan on the reversion of Futenma airfield in 1996. U.S. Ambassador to Japan Roos at a meeting of the

Japan-U.S. ministerial-level working group on the 4th rejected alternative plans, seeking a prompt settlement (for the Henoko plan).

The U.S. is deepening its distrust in the Hatoyama administration. The prime minister at the bilateral summit in November said

TOKYO 00002799 004 OF 015

confidently to President Obama, "Trust me." Nevertheless, the government and the ruling parties are trying to postpone a decision until next year despite U.S. expectations.

The U.S. side at the working group meeting on the 4th, too, rebuked Japanese participants, using bitter language, such as that Japan made the President lose face. A senior Defense Ministry official said, "It will be tough if the U.S. considers it impossible to hold talks with the present administration."

On the 7th, SDP leader Mizuho Fukushima said, "If the government hastily imposes its decision alone, it will become even more difficult to settle the issue." The pressure on the prime minister from home and abroad is increasing.

(3) Hirano: Japan to inform U.S. of Futenma relocation policy of giving priority to reducing Okinawa's burden

ASAHI ONLINE (Slightly abridged)
December 8, 2009

At a news conference on Dec. 8, Chief Cabinet Secretary Hirofumi Hirano indicated that the government will give priority to measures to remove the danger posed by the Futenma base and to reduce the burden on the Okinawan people rather than identifying the relocation site in dealing with the relocation of the U.S. forces' Futenma Air Station (in Ginowan City, Okinawa). If this is agreed upon by a meeting among the four concerned ministers, Hirano, Foreign Minister Katsuya Okada, Defense Minister Toshimi Kitazawa, and Okinawa Affairs Minister Seiichi Maehara in the afternoon, it will be conveyed to the U.S. side as the cabinet's policy.

In light of the U.S. demand for the early implementation of the bilateral agreement to relocate Futenma to Henoko in Nago City, Prime Minister Yukio Hatoyama has indicated that the U.S. side will be notified of the government's policy shortly. However, it is unlikely that the U.S. will agree to give priority to discussions on reducing Okinawa's burden over the confirmation of the relocation site. It is believed that the U.S. is certain to toughen its attitude.

Hirano stated at this news conference: "I think the top priority is to reduce the burden on the Okinawan people. There is also the question of removing danger. The basic premise is that the government needs to deal with such issues as the top priority." When reporters pointed out that the U.S. side may not agree to reduce the burden without first reaching a conclusion on the relocation site, he said: "Of course, that is the case from the U.S. point of view. That is why it is necessary to negotiate."

(4) GOJ mulls land-based Futenma replacement facility in Camp Schwab, dispersion of exercises to Kansai Airport, Kadena Air Base

OKINAWA TIMES (Page 1) (Full)
December 8, 2009

Tokyo -- It was learned on Dec. 7 that in connection with the relocation of the U.S. forces' Futenma Air Station, the government is considering a plan to build a land-based helipad inside Camp Schwab to accommodate the move of Futenma's helicopter units there, disperse the exercises of fixed-wing aircraft to Kadena Air Base (KAB) and Kansai International Airport, and spread out other

TOKYO 00002799 005 OF 015

functions of the Futenma base. Coordination is taking place between the cabinet and the ruling parties. There is opposition from Okinawa

and within the ruling parties to the current plan to relocate Futenma to Henoko, while the U.S. side is demanding the implementation of the Japan-U.S. agreement. The government is seeking to find a solution by dispersing Futenma's functions, including the relocation of certain units to existing U.S. bases.

Meanwhile, the transfer of exercises by the F-15s based at KAB and by non-Okinawa based aircraft to the Kansai Airport is being considered as a measure to reduce the burden on Okinawa. The possibility of relocating some F-15 units from KAB to the U.S. forces' Misawa base (in Aomori Prefecture) is also being studied. A ruling party source says: "Reducing the burden imposed by KAB first is being studied apart from the relocation of Futenma's functions."

Coordination between Osaka Governor Toru Hashimoto and the central government has already begun on the dispersion of exercises to Kansai Airport. According to the above ruling party source, Hashimoto has indicated his readiness to accept the proposal when the political conditions are ripe. Hashimoto has been saying so far that he is "willing to discuss the issue if presented with a formal proposal from the government" and that Okinawa's share of the burden imposed by military bases should be shouldered by the whole country.

The problem with this plan for the dispersed relocation of the Futenma base is how to obtain the understanding of the Okinawan people, including Governor Hirokazu Nakaima and the local leaders, and the Social Democratic Party and the People's New Party, which are opposed to the existing relocation plan.

The key question is whether the U.S. side will accept the dispersed relocation plan, since it has been demanding at the bilateral cabinet-level working group and other meetings that Japan make a decision based on the original Japan-U.S. agreement before the end of 2009. Certain government officials think that "it might be easy to obtain the U.S. side's understanding."

There are also moves on the Japanese side to look into the possibility of transferring certain functions of KAB to U.S. military facilities in Guam in order to reduce Okinawa's burden. Discussions between the two countries, taking into account the operations of the U.S. Air Force and Marines in Guam, are likely to take place.

(5) Mayor opposes military use of Kansai Airport in connection with Futenma relocation

ASAHI ONLINE (Full)
December 8, 2009

In connection with the relocation of the U.S. forces' Futenma Air Station (in Ginowan City, Okinawa), Osaka Governor Toru Hashimoto has said that he "will not refuse" to discuss the possibility of Futenma's relocation to Kansai International Airport. Mayor Michihiko Mukai of Sennan City, where the airport is located, said in his response to general interpellation at the city assembly on Dec. 8: "Military use has not been envisioned from the very beginning. Personally, I have never thought about such an idea. I oppose both the military use (of the airport) and turning it into a military base."

TOKYO 00002799 006 OF 015

(6) Parliamentary Secretary of Defense Nagashima voices disagreement with opponents of Futenma relocation within Okinawa at symposium

SANKEI ONLINE (Full)
13:08, December 8, 2009

At a symposium in Tokyo (Nikkei-CSIS Symposium on "The Obama Administration's Asian Policy and the Japan-U.S. Relationship in the New Era") on the morning of Dec. 8, Parliamentary Secretary of Defense Akihisa Nagashima discussed the relocation of the U.S. forces' Futenma Air Station (in Ginowan City, Okinawa), saying: "The argument that an unwelcome facility should be moved somewhere else is prevalent, without discussing the extent of the U.S.'s share in

the risks during a contingency in Japan." He thus expressed his disagreement with the Social Democratic Party and other opponents of Futenma's relocation within Okinawa.

Nagashima pointed out that the Japan-U.S. alliance "is founded on a balance between the risks the United States takes in a contingency and the cost borne by Japan during peacetime." He emphasized that "if Japan wants to reduce the cost (i.e. U.S. military bases) in peacetime, including the burden on the people of Okinawa, it will have to gradually take over the risks in a contingency. Otherwise, the balance cannot be maintained."

(7) MD Kitazawa says USFJ realignment spending to be earmarked in FY10 budget under "Prime Minister's account"

JIJI.COM (Full)
13:02, December 8, 2009

At a news conference on the morning of Dec. 8, Defense Minister Toshimi Kitazawa said that with regard to how to handle the expenditures relating to U.S. Forces Japan (USFJ) realignment in the FY2010 budget, "since various issues will arise, our thinking is to use the 'Prime Minister's account,' and I have obtained Prime Minister Yukio Hatoyama's approval for this." He stated that the budget will be earmarked from the standpoint of maintaining the relationship of trust with the U.S.

The Ministry of Defense has included a total of 89 billion yen for USFJ realignment projects, including the relocation of the U.S. forces' Futenma Air Station (in Ginowan City, Okinawa), in its budget requests for FY2010.

(8) Column: The price of "procrastination" on Futenma relocation

YOMIURI (Page 4) (Full)
December 8, 2009

Mayor Tokujitsu Miyagi of the town of Kadena in Okinawa, home to the largest U.S. Air Force base in the Far East, Kadena Air Base (KAB), terms the "Kadena integration plan" - which calls for the relocation of the U.S. Marines' Futenma Air Station (in Ginowan City, Okinawa) to the KAB - a "ghost." "It keeps coming back even after you bust it."

An agreement was reached in 2006 between Japan and the United States to relocate the Futenma base to the coastal area of Camp Schwab (in Nago City) in northern Okinawa. However, in the recent House of Representatives election in August, candidates of the ruling

TOKYO 00002799 007 OF 015

coalition parties advocating relocation out of Okinawa won in all the single-seat districts in Okinawa. There has been a renewed surge in the expectations of local residents for relocation out of Okinawa.

The Hatoyama administration says that it is reviewing the 2006 Japan-U.S. agreement. At a news conference on Oct. 23, Foreign Minister Katsuya Okada announced that the Kadena integration plan is one of the options.

(Okada's reasoning:) While both the Marines, which use mostly helicopters, and the Air Force, which uses fighters, are reluctant about joint operations, the beauty of this plan is that it does not require the reclamation of land and will utilize a large tract of land measuring 2,000 hectares. There is surely room for negotiations.

Mikio Shimoji, People's New Party policy chief (first district of Okinawa), has been a proponent of the Kadena integration plan. This plan that was rejected in the past was put on the Japan-U.S. negotiation agenda once again.

When Miyagi heard about what Okada said at the news conference, he said: "This is utter nonsense. (The proposal) should be thrashed immediately." He ordered town officials to prepare to hold a rally of the town people against the proposal.

This was the third time the "ghost" had made an appearance.

The first time was at the Special Action Committee on Okinawa (SACO) set up by the Japanese and U.S. governments in 1996. At that time, the mayors of the three municipalities adjacent to the KAB formed a trilateral liaison council and opposed the proposal fiercely. As a result, this plan was not included in the SACO final report, and a site "on the east coast of the main island of Okinawa" was chosen as Futenma's relocation site.

The second time was in 2004, after a helicopter that took off from the Futenma base crashed onto the campus of the Okinawa International University nearby. The U.S. side looked into the feasibility of the Kadena integration plan after this major accident, but the local communities again rose in unity against the plan, resulting in it being scrapped.

Miyagi has been the mayor of Kadena for 19 years. He has given his support to two conservative governors in a row, Keiichi Inamine and Hirokazu Nakaima, who approve of Futenma's relocation within the prefecture. However, as the town mayor, there is one thing that is absolutely unacceptable to him, the Kadena integration plan. Some 2,500 people (according to the organizers) attended the mass rally on Nov. 7, which added momentum to the prefecture-wide rally demanding relocation out of Okinawa on the next day. This was the third time that the anger of the Okinawan people, who have endured the burden imposed by the bases, exploded.

Miyagi confronted Okada, who was visiting Okinawa, at the town office on Nov. 16. He stated in very strong terms:

"If the starting point of the Futenma relocation issue is the danger it poses, the KAB is 10 times more dangerous than Futenma." He cited an incident 50 years ago where a fighter crashed onto an elementary school near the base, killing 11 school children, and gave an

TOKYO 00002799 008 OF 015

account of the town's tragic history. Okada was dumbfounded.

In the end, Okada gave up on the Kadena integration plan. However, the price of the procrastination is high. Backed by public opinion in Okinawa, the SDP, which is opposed to the existing relocation plan, is threatening to bolt the coalition government. Above all, it is demanding relocation out of Okinawa, which is not feasible. The rekindled hopes of the Okinawan people will not be easy to extinguish.

If a solution is not found on the relocation issue before the end of the year, the Nago mayoral election in January will begin to strongly resemble a referendum on Futenma relocation. Miyagi is furious that the Hatoyama administration is repeating the history of dumping an issue of national policy on the 60,000 citizens of Nago after its prolonged procrastination.

He said: "The job of the top leader of the country is to take risks and make decisions on security issues. I would not be thinking about the national interest even if I were made to decide such issues. I would be thinking only about the mission of protecting the livelihood of the people who live here."

(9) Dark clouds hanging over Japan-U.S. alliance (Part 1): U.S. Ambassador criticizes Hatoyama administration's insincerity

YOMIURI (Page 1) (Full)
December 5, 2009

In a meeting of the Japan-U.S. cabinet-level working group on Dec. 4, U.S. Ambassador to Japan John Roos said after both sides expressed their frank views: "I would like to discuss the matter among only the three of us." Monopolizing the discussion, the Ambassador explained to Foreign Minister Katsuya Okada and Defense Minister Toshimi Kitazawa how the Hatoyama administration's insincere policy has disgraced President Barack Obama. The strong tone of the Ambassador, who supported President Obama both materially and spiritually in the presidential election campaign

last year, indisputably represents the irritation of President Obama.

The U.S. government has continued to call on the Hatoyama administration through various routes to reach an early decision on the relocation of a U.S. military facility to the Henoko district, as agreed on between Japan and the U.S. in 2006. The U.S. side defined the existing plan as the sole option, while Prime Minister Yukio Hatoyama told Obama in their meeting on Nov. 13 that he would come up with an early conclusion, saying, "Trust me." Hatoyama, however, instructed concerned officials early this month to put the existing plan back to square one, in effect.

A senior Foreign Ministry official moaned: "The U.S. may deem the prime minister a leader who is anti-U.S. and does not understand the significance of the Japan-U.S. alliance." In actuality, a senior U.S. government official said at a meeting of the working group in Washington on Nov. 24: "Now nobody trusts the prime minister."

Despite such severe remarks, why has Hatoyama been negative about implementing the existing agreement?

A close aide to Hatoyama pointed out that Japan Research Institute Chairman Jitsuro Terashima, a personal advisor on foreign affairs to

TOKYO 00002799 009 OF 015

Hatoyama, exerted a strong influence over Hatoyama's approach to the Futenma issue. Terashima visited Washington this week and told several Japan experts: "As an independent state, Japan should reduce the U.S. military presence in the nation to two-thirds of the current level."

An aide to Hatoyama commented: "On this issue, the prime minister and Chief Cabinet Secretary Hirofumi Hirano share Mr. Terashima's views." Hatoyama has long asserted that U.S. military troops should be stationed in Japan only in times of emergency. When one aide to Hatoyama pointed out the strategic ineffectiveness of Hatoyama's stock argument, Hirano replied: "You do not understand the meaning of the change of government. Japan and the U.S. should have an equal partnership."

Within the U.S. government, which has carefully monitored moves by the Hatoyama administration, an increasing number of officials have begun to suspect, as indicated by a Defense Department source, that "the prime minister might be hoping to see the withdrawal of the Marines. Marines stationed in Okinawa are the U.S. military's forward deployment forces in the Western Pacific region. Satoshi Morimoto, professor at Takushoku University, said, "A withdrawal would be tantamount to the end of the Japan-U.S. alliance." This view is shared by many experts.

State Minister for Okinawa, Northern Territories, and Disaster Prevention Seiji Maehara stressed the need for an early settlement (of the Futenma issue) in a press conference on Dec. 4, remarking: "If a helicopter crashes in an urban district and causes serious damage while the Futenma issue is still up in the air, it will become impossible for U.S. military bases to remain in Okinawa. In such a case, the Japan-U.S. security arrangements themselves will be undermined." Is Hatoyama going to change the nature of the Japan-U.S. alliance? If he is thinking of Futenma as a symbol of such an effort, it is the worst scenario, one that makes light of the Okinawan people's pain.

(10) Poll on Hatoyama cabinet, political parties

YOMIURI (Page 8) (Full)
December 8, 2009

Questions & Answers
(Figures are percentages)

Q: Do you support the Hatoyama cabinet?

Yes 59

No 29

Other answers (O/A) 5

No answer (N/A) 7

Q: (Only for those who answered "yes" to the foregoing question)
Pick only one from among the following reasons for your approval of
the Hatoyama cabinet.

Something can be expected of its policy measures 27
The prime minister is aiming to make policy decisions at the
initiative of politicians 26
The prime minister has leadership ability 3
There's something stable about the prime minister 3
His cabinet's lineup is good 4

TOKYO 00002799 010 OF 015

Because it's a non-Liberal Democratic Party government 35
O/A 0
N/A 2

Q: (Only for those who answered "no" to the foregoing question) Pick
only one from among the following reasons for your disapproval of
the Hatoyama cabinet.

Nothing can be expected of its policy measures 27
Nothing can be expected of its policy decisions made at the
initiative of politicians 16
The prime minister lacks leadership ability 27
There's nothing stable about the prime minister 12
His cabinet's lineup is not good 6
Because it's a non-Liberal Democratic Party government 7
O/A --
N/A 5

Q: Which political party do you support now? Pick only one.

Democratic Party of Japan (DPJ or Minshuto) 42
Liberal Democratic Party (LDP or Jiminto) 19
New Komeito (NK) 2
Japanese Communist Party (JCP) 3
Social Democratic Party (SDP or Shaminto) 2
Your Party (YP or Minna no To) 1
People's New Party (PNP or Kokumin Shinto) 0
Reform Club (RC or Kaikaku Kurabu) --
New Party Nippon (NPN or Shinto Nippon) --
Other political parties --
None 29
N/A 2

Q: Do you think the DPJ should never fail to act up to what it
incorporated in its manifesto for this summer's election for the
House of Representatives, or do you think it cannot be helped if the
DPJ cannot do so depending on circumstances, or do you think the DPJ
does not necessarily have to stick to its manifesto?

The DPJ should never fail to act up to its manifesto 18
It can't be helped if the DPJ cannot 46
The DPJ does not necessarily have to do so 34
N/A 3

Q: What do you think about the following three policies the DPJ
incorporated in its manifesto for this summer's election for the
House of Representatives?

(A) Do you think the Hatoyama cabinet should carry out its policy of
providing child allowance handouts as pledged, or do you think the
Hatoyama cabinet should review this policy and then carry it out, or
do you otherwise think the Hatoyama cabinet should not carry it
out?

(B) What about the DPJ's policy of making the nation's expressways
toll-free?

(C) What about the DPJ's policy of abolishing gasoline and other
road-related provisional tax rates?

(A) (B) (C)
Carry it out as pledged 27 12 36

Review and carry it out 54 37 32
Should not carry it out 16 48 21
N/A 3 2 11

Q: The Government Revitalization Unit under the Hatoyama cabinet screened budget requests from all government ministries and agencies to make such judgments as abolition and reduction. Do you approve of this budget screening?

Yes 71
No 20
N/A 9

Q: Is there anything you think is problematical about the process of screening budget requests?

Yes 63
No 22
N/A 15

Q: (Only for those who answered "yes" to the foregoing question)
What do you think is the biggest problem? Pick only one.

Budget requests screened were irrelevant 17
Budget screening team didn't spend enough time 39
Budget screening team's judgment was wrong 17
Budget screening team's discussion process was not good 20
O/A 1
N/A 6

Q: What do you think about the pending issue of relocating the U.S. Marine Corps' Futenma Air Station in Okinawa Prefecture?

It would be better to relocate the airfield in line with the agreement reached between the Japanese and U.S. governments 26
It would be better to slightly modify the relocation plan 32
It would be better to overhaul the relocation plan 26
N/A 16

Q: Do you think the Hatoyama cabinet is dealing appropriately with the current state of the nation's economy, such as the deflation and the high yen?

Yes 20
No 68
N/A 12

Q: Do you think Prime Minister Hatoyama has sufficiently accounted for his own politics-and-money problems, such as his fund-managing body's falsification of reports on political donations?

Yes 10
No 85
N/A 5

Q: Do you think that Prime Minister Hatoyama, if his secretary is prosecuted over the falsification of political fund reports, should resign to take responsibility?

Yes 37

No 54
N/A 9

Polling methodology: The survey was conducted Dec. 4-6 across the nation on a computer-aided random digit dialing (RDD) basis. Households with one or more eligible voters totaled 1,723. Valid answers were obtained from 1,092 persons (61 PERCENT).

(Note) In some cases, the total percentage does not add up to 100 PERCENT due to rounding. 0 indicates that the figure was less than 0.5. "--" denotes that no respondents answered.

(11) JAL is a mirror reflecting Japan

NIKKEI (Page 3) (Excerpts)
December 8, 2009

Mikio Sugano

It is already December, and people are talking about this year's buzzwords and hit products. When I think of high-profile companies of the year 2009, the name of Japan Airlines (JAL), now in a financial crisis, comes to mind first. The company posted a record loss of 130 billion dollars in the 2009 April-September period. A team of experts under Minister of Land, Infrastructure, and Transport (MLIT) Seiji Maehara that assessed JAL's assets acknowledged that the company is effectively insolvent.

The company has suffered a plunge in its stock price and is having difficulty raising funds. Even after the establishment of the Hatoyama cabinet, bargaining has been going on over JAL's additional efforts for corporate restructuring, the government's official assistance, and bridge loans by a group of banks.

The airline's financial position was aggravated further by a delay in efforts to improve its high-cost structure. An analyst well-versed in the transport industry ascribed JAL's crisis to aviation administration. Administration that has forced unprofitable routes onto JAL and kept the regulations in place is also to blame.

The question of pension benefits for JAL retirees is also noteworthy. Many retirees are opposed to a plan to squeeze the pension liabilities by substantially curbing the benefits that are premised on the corporate pension program guaranteeing an interest rate of 4.5 percent. The government's position is that even if public funds are injected into JAL, it will not allow the airline to use the money for its pension program.

A plan is also being floated to enact special legislation to reduce JAL's pension benefits.

JAL and the Japanese government have many things in common.

First, both have loss-prone natures and are deeply in debt. The country's fiscal deficit is projected to swell to about 10 percent of GDP at the end of 2009. The government's liabilities are also expected to grow to nearly twice the GDP. There are no prospects for improvement in sight.

The high-profile screenings of state projects have failed to come up with enough funding for a child allowance plan and other programs promised by the Democratic Party of Japan. Tax revenues have also

TOKYO 00002799 013 OF 015

sharply dropped. The situation is similar to JAL, which has failed to cut costs swiftly and is suffering from a decline in passenger income.

Their pension programs share some similarities as well. In its long-term fiscal outlook presented in February, the Health, Labor, and Welfare Ministry set the yield on the pension fund reserves at 4.1 percent, higher than the 3.2 percent projected five years ago. The premise was set higher so that the level of pension benefits will not decline in the future. So the government cannot make fun of JAL's 4.5 percent.

Due to its labor-cost reduction efforts, JAL now reportedly has contract employees who make less than 2 million yen a year. At the same time, its retirees receiving pension benefits amounting to several million yen annually are putting up stiff resistance to reducing their benefits. This also looks like the near-future picture of the public pension system that is designed for the current working generation to support the retired generation.

The more the lawmakers postpone the reform of the pension system in a bid to please the older generation with a growing voice, the more the bill to be footed by future generations will rise. JAL is void of a strategy to survive against international competition and lacks strong leadership. The same is true with the Hatoyama administration. JAL is a mirror reflecting Japan.

"JAL covers a shortage of operational cash flows with loans. The government's pattern is the same as JAL's," said Kazuhiko Toyama, a member of the MLIT's experts' team.

We do not want to see the government share the same fate as JAL as a result of failing to reform itself.

(12) TOP HEADLINES

Asahi:

Transport minister eyes U.S. and Europe-bound flights from Haneda airport in daytime; some highways in Honshu to be made toll free

Mainichi: Nikkei: Tokyo Shimbun:

Government to add 100 billion yen to economic pump-priming measures, accepting People's New Party's proposal: Increase in issuance of government bonds eyed; 100 billion yen added for local-government-sponsored public works

Yomiuri:

Prime minister to tell U.S. President of plan to put off decision on Futenma airfield relocation at COP15 meeting

Sankei:

Analysis of Democratic Party of Japan: Japan is becoming like Iwate Prefecture

Akahata:

Tax on 23 items to be boosted; government plans to abolish deduction for dependents

(13) EDITORIALS

Asahi:

(1) Reform of petition-filing system: Concern about administration's

TOKYO 00002799 014 OF 015

decision-making becoming bipolarized between government and ruling parties

(2) Information gathering satellites: Is this all right to press ahead with present development plan

Mainichi:

(1) U.S.-North Korea talks: Aim at eliminating nuclear arms

(2) Survey on family life: Create environment where women can have children free from anxiety

Yomiuri:

(1) Free high school education: Switch to providing assistance to people in low-income bracket

(2) Ryo Ishikawa becomes youngest-ever money-title winner: We look forward to his soaring to even greater heights

Nikkei:

(1) Crisis of free trade evident in drifting WTO talks

(2) Although Supreme Court throws out guilty verdict handed down to three management personnel of former Nippon Credit Bank (now Aozora Bank) for window-dressing accounting, they are still responsible for sloppy management

Sankei:

(1) Futenma Air Station relocation issue: Foreign Minister should be ready to quit if he fails to persuade Prime Minister to reach quick decision

(2) COP15 starts: Agreement that will lead to new protocol urged

Tokyo Shimbun:

(1) COP15 starts: Aim for higher goals and implement them in a more steady manner

(2) Denomination by North Korea: Has a bud for reform and liberalization disappeared?

Akahata:

(1) Today marks the 68 anniversary of the outbreak of the Pacific War

(14) Prime Minister's schedule, December 7

NIKKEI (Page 2) (Full)
December 8, 2009

09:25 Presented a letter of appointment to the National Public Safety Committee (NPS) to former Japan Trade Union Confederation president Tsuyoshi Takagi at the Prime Minister's Official Residence (Kantei), with NPS Chairman Nakai present.

10:03 Met World Bank Governor Zoellick, with Deputy Chief Cabinet Secretary Matsuno and others present. Later met National Strategy Minister Kan.

11:02 Met the incoming and outgoing Central Readiness Command heads, Toshinobu Miyajima and Mikio Shibata, with Defense Parliamentary Secretary Nagashima present. Followed by incoming and outgoing chairmen on the Japanese side of the Japan-U.S. Business Council Hiromasa Yonekura and Junichi Ujike.

12:17 Met Kan and Chief Cabinet Secretary Hirano.

13:03 Met former Soviet Union President Gorbachev, with Lower House Foreign Affairs Committee Chairman Suzuki present.

14:15 Met Assistant Deputy Chief Cabinet Secretary Fukuda. Followed by Foreign Minister Okada, Defense Minister Kitazawa, Transport Minister Maehara, and Hirano. Kitazawa stayed behind.

TOKYO 00002799 015 OF 015

16:42 Met JR Tokai President Noriyuki Kasai, former Defense Secretary of State Armitage, Confederation of Indian Industry Chief Tarun Das, and others.

17:24 Met Cuban Foreign Minister Rodriguez. Later met Japan-South Korea Cooperation Committee Chairman Nam, former South Korean prime minister, on the South Korean side, Chairman Nakasone, former prime minister, on the Japanese side, and others. Posed for photos with Nam and others.

18:28 Met Kitazawa.

19:03 Dined with Matsuno and Lower House member Hirofumi Ryu at an Italian restaurant in the Hotel New Otani.

21:04 Arrived at his official residential quarters.

ROOS